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Realty Trust Review

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VALUE GUIDE TO THREE TRUST GROUPS REVIEWED THIS ISSUE

Trust	Assets (Mil.\$)	Port. Yield	--6Mo. Last	Port. Chng-- E Next	Lever. Ratio	Wts. Out*	Price	Div. Yield	Page
Subordinated land trusts group review.....									
Cabot, C&F Land	\$124.4	10.86%	40%	25%	1.04	10%	27.75	7.9%	2
ICM Realty	64.0	11.21	17	5	0.04	0	21.88	8.2	2
Property Cap.	68.0	11.34	16	5	1.27	0	24.13	6.8	3
Intermediate term mortgage trusts group review.....									
Alison Mtg.	116.5	12.86	39	30	1.33	20	30.88	9.5	3
Diversified Mtg.	314.9	13.25	41	25	1.07	0	27.00	10.4	4
First Vir. MI	36.2	10.05	217	50	0.29	100	26.13	6.4	4
Larwin Realty	67.8	8.56	44	20	0.00	100	15.38	7.8	5
Median Mortgage	86.6	11.40	NA	NE	1.72	41	14.38	9.2	5
Realty ReFund	27.6	12.40	25	30a	0.36	0	22.00	9.6	5
Security Mtg.	182.4	11.00	10	10	0.69	11	12.13	11.2	5
Equity & mortgage combination trusts group review.....									
First Union	135.0	9.62	21	15	1.60	0	12.25	7.5	6
Flatley Rlty.	13.4	10.95	NA	100a	0.44	100	7.50	9.1	6
Franklin Rlty.	43.5	14.86	7	18	1.86	0	8.50	8.9	7
Indiana Mtg.	39.4	9.38	NA	27	0.81	50	22.25	6.3	7
Lincoln Mtg.	52.1	12.09	14	46	1.54	0	9.63	10.4	7
Realty Income	61.2	9.08	15	15	0.54	0	14.63	8.2	8
U.S. Bancorp	41.2	11.04	62	40	0.70	7	31.00	5.8	8
U.S. Realty	132.4	9.90	11	10	2.30	0	15.50	8.8	8

Leverage ratio is fixed debt/capital ratio. *Wts. as % of fully converted shares.
E-Estimated. NE-No estimate. a-Depends on pending financing. NA-Not available or applicable.

SUBORDINATED LAND TRUST GROUP: SOME PROTECTION AGAINST RISING RATES AND INFLATION

The subordinated land trusts confront the prospect of rising short-term interest rates from a much different point than do the short-term mortgage trusts. For that reason the trusts in this group present intriguing investment opportunities. The land trusts have institutionalized subordinate financing in real estate. Basically, the land trusts buy land beneath income-producing properties and lease them back to the building owner and operator for a fixed rental plus a share of gross rents. They also share in refinancing proceeds, letting the trust recover any appreciation in land value without creating a taxable transaction. In essence the land trusts hold preferred equity positions--i.e., their success depends upon success of an equity owner and they must be prepared to step in as equity owner if necessary. While their position is akin to that of a second mortgage owner, they have a potential for appreciation typical second mortgage holders do not have.

Rising interest rates could have two possible impacts on land trusts: (turn page)

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PUBLISHED TWICE MONTHLY ON THE SECOND AND FOURTH FRIDAYS SUBSCRIPTION \$84 ANNUALLY SINGLE COPY \$5 GROUP RATES ON REQUEST

1) Effect on earnings. Since most land trusts make short-term construction loans as "feeders" for their long-term portfolio, they are exposed to interest rate swings for about 15%-20% of holdings. Most land trusts have tied a good proportion of such loans to the prime rate. Cabot, Cabot & Forbes Land Trust is borrowing under a term loan but will make only long-term investments with proceeds. ICM Realty and Property Capital use short-term bank borrowings (ICM under a new revolving credit agreement) to build holdings. Overall, earnings exposure appears slight. 2) Dividend yields. REIT dividend yields on market prices appear more related to long-term interest rates than short-term rates. We do not expect long-term mortgage and bond rates to top 8% this year (about 7.55% now) and thus again we view the exposure as slight.

The land trusts afford inflation hedge both through sharing in rental revenues (ICM Realty stands to benefit the most from lifting of apartment rent controls) and from ownership in land, the fastest appreciating part of real estate. ICM Realty is the most conservative in the group and represents excellent long-term holding; Property Capital is the most flexible in its range of investment forms and is a quality-oriented capital gains vehicle; Cabot, Cabot & Forbes Land Trust is younger but has experienced more rapid growth than the others; it is a more speculative holding. Pease & Elliman Realty Trust, newest land trust, was reviewed Jan. 29.

CABOT, CABOT & FORBES LAND TRUST (NYSE-CFT)--Recent price: \$27.88

SUMMARY & RANKING (Data as of 11/72)

Rank	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
	32	29	66	44				
Amt.	\$124.4M	\$57.1M	10.86%	11.32%	5/72	\$0.53	\$0.51	\$0.53
					8/72	0.54	0.53	0.54
Type:	Subor. land. FY ends May 31.				11/72	0.57	0.55	0.55

Portfolio dynamics: Fundings rose 40% last six months, although gain reflects addition of \$16.2M mortgage debt from two Arlington, Va. office buildings taken over during November quar. Outstanding commitments of \$63.8M point toward continued growth of about \$15M/quar., or about a 25% gain. Holdings of \$117.8M are 79% subordinated land purchase & leasebacks, the rest short-term loans. About 45% of commitments are residential, 25% office. Yields appear to have stabilized after a decline and commitments are at 11.19% vs. the 10.73% weighted avg. of fundings. About two-thirds of short-term loans are tied to prime rate, while long-term holdings are matched with equity or term loans at constant spreads. Two office buildings acquired by CFT last fall (RTR, Sept. 25) have been re-financed to increase cash flow and may be sold. Financing: Capital of \$60.3M is \$57.1M equity with 2.88M shares and \$3.2M of 6.75% debentures convertible at \$21. Debt of \$62.6M incl. \$25M of 8% senior notes, \$16.2M of property mtgs. and \$21.4M bank borrowings. Leverage ratio is 1.04-1. Trust has negotiated \$30M eight year term loan from two banks at rate based on prime. Adviser & Exp.: CC&F Real Estate Trust Advisers, Inc., subsidiary of industrial developer of same name. Expenses avg. 1.5% of fundings last 2 quar. Six month outlook: Earnings gain to about \$0.60 (or \$2.40 annual rate) appears likely. Ability to detect and correct problem situations as in Arlington, Va. impressive. Shares good holding for 7.8% yield and longer-term growth. (KDC)

ICM REALTY (ASE-ICM)--Recent price: \$22

SUMMARY & RANKING (Data as of 11/72)

Rank	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
	67	23	56	89				
Amt.	\$64.0M	\$62.5M	11.21%	8.63%	5/72	\$0.42	---	\$0.42
					8/72	0.43	---	0.43
Type:	Subor. land. FY ends Nov. 30.				11/72	0.45	---	0.45

Portfolio dynamics: Fundings rose 17% the last 6 mon. but we expect this rate to decline a bit the next 6 mon. About 76% of holdings are land purchase/leasebacks and the remainder in "feeder" loans with an option to purchase land when projects are completed. About 70% of holdings are apartments, 30% shopping centers. Overage rents rose 53% in FY 1972 as eight of 61 properties generated overages; end of rent controls may increase revenues from this source. One unsatisfactory holding, New World Apts. in Dallas, was sold

back to the land tenant in Sept. Financing: Capital of \$62.5M is all equity with 3.0M shares. Debt is \$1.0M, a mtg. on owned property. Balance sheet leverage is negligible but about \$4 of first mtg. debt precedes each \$1 of trust land positions. Trust has arranged a five-year, \$20M revolving loan, supplementing \$10M bank lines, to add flexibility in property acquisitions. Administrator & expenses: Investors Central Management Corp., owned by a group of mtg. banking companies. Expenses were 1.46% the last quar. Six month outlook: Recent bank lines add flexibility in building portfolio without public financing, making use of ICM's unused leverage. Steady but moderate earnings gains are expected and shares are sound longer-term holding for yield (8.2%) and growth. (KDC)

PROPERTY CAPITAL TRUST (ASE-PCL)-Recent price: \$25.25

SUMMARY & RANKING (Data as of 10/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
Rank	63	59	52	28	4/72	\$0.39	---	\$0.36
Amt.	\$68.0M	\$28.5M	11.34%	12.27%	7/72	0.41	---	0.37
Type:	Subor. land.		FY ends July 31.		10/72	0.42	---	0.39

Portfolio dynamics: Fundings rose 16% the past 6 mon. and commitments are \$35.7M. Holdings of about \$66M at Jan. 31 were about half in land leasebacks, 30% long-term mtgs. and 20% in short-term loans. An \$11M short-term loan carrying interest at 3% over prime is due for repayment Mar. 1 and will be replaced by longer-term, higher-yielding holdings. Thus while we expect little gain in dollar fundings the six mon. through July, ungraded yield should help the current rate, which has been firm. One apartment loan in slow-pay situation but no threat to earnings. Loss reserve: \$346T or 0.54%. Financing: Capital of \$28.5M is all equity with 2.07M shares. Debt of \$38.9M is \$18M of 6½% senior notes (part of PCL's original private placement) and \$20.9M bank lines. Leverage ratio is 1.27-1. Current bank lines likely to be expanded although additional financing possible within a year. Adviser & expenses: Property Capital Advisors, Inc., independent, but with institutional sponsorship through 64% PCL ownership. Expenses were 1.72% of avg. investments last two quar. Six month outlook: January quarter expected to continue steady earnings growth, excluding a special \$0.09/sh. gain from condemnation. Higher portfolio yield should be translated into continued earnings gains because of clean capital structure without warrants. Relatively low yield of 6.8% makes shares suitable for longer-term capital gains accounts. (KDC)

INTERMEDIATE-TERM MORTGAGE GROUP: PIONEERING IN A DIVERSE FIELD

More and more REITs are opening the intermediate-term loan field as a formal activity that formerly existed in bits and pieces. Intermediate-term loans generally range all the way from three to 10 years in term and are typically made to give a real estate lender time to season a new property. Cynics would suggest that the growth of intermediate-term financing mirrors a reluctance of traditional long-term lenders like life insurance companies to fund more speculative projects but as income properties become larger in scale, longer seasoning is required.

Too, intermediate financing has many other uses: Diversified Mortgage uses it for recreational community and secondary home communities, areas traditional lenders have shunned. Realty ReFund pursues wrap-around loans in which the owner of a mature property in effect leverages a first mortgage made at much lower interest rates and recovers some of the increase in value. Security Mortgage specializes in consumer home improvement paper secured by second mortgages with a life of about five years, and also makes long-term hospital loans. Most trusts in the group have hedged their positions in short-term loans by tying half or more to the prime rate. While there are still lots of questions, investors seeking ample income and longer-term speculative gains can find many attractions. *Alison Mortgage, Diversified Mortgage* and *Realty ReFund* probably provide the best balance for most accounts.

ALISON MORTGAGE INVESTMENT TRUST (NYSE-AMV)--Recent price: \$30.50

Portfolio dynamics: Fundings rose 39% the six months through January, reflecting strong closings in intermediate term loans. Commitments of \$157M indicate about another 30% gain over the next six months. Holdings are about 22% construction, 30% intermediate-

SUMMARY & RANKING (Data as of 10/72)

	Assets	Equity	Port.Yield	Capital Ret.	Period	RECENT SHARE RESULTS EPS Primary	Diluted	Div.
Rank	35	41	22	22	7/72	\$0.65	\$0.62	\$0.72
Amt.	\$116.5M	\$39.8M	12.86%	12.76%	10/72	0.75	0.64	0.73
					1/73	E0.76	NA	0.74

Type: Inter.-term mtg. FY ends Oct. 31

term, 20% wrap-around loans, 20% land and development, and 8% land leasebacks and equity ownership. A \$3.2M land loan in New York City was foreclosed in August and sale is being negotiated. A problem apartment loan in Miami, in which AMV participated, is going forward with a new borrower. About half of portfolio is tied to prime rate. Loss reserve: \$388T or 0.37%. Allowance for losses has been increased in recent quarters, reducing reported earnings. Financing: Capital of \$49.6M is \$39.8M equity (2.03M shares out) and \$9.7M of convertible debentures. Debt of \$64.7M is \$42.7M bank lines and \$22.0M commercial paper. Leverage ratio is 1.33. A unit of Lehman Brothers has undertaken to help the trust borrow \$50M over six years, partially in return for rights to buy 100T sh. at \$33. Adviser and expenses: American Advisers, Inc., sub. of Alison Mtg. Co., Los Angeles mortgage banker. Expenses were 1.75% of avg. fundings last 2 quar. Six month outlook: Strong fundings and commitments indicated continued progress in earnings and dividends. 20% warrant coverage should not harm results. Shares an income (9.6%) and longer term growth holding. (KDC)

DIVERSIFIED MORTGAGE INVESTORS (NYSE-DMG)--Recent price: \$27.88

SUMMARY & RANKING (Data as of 12/72)

	Assets	Equity	Port.Yield	Capital Ret.	Period	RECENT SHARE RESULTS EPS Primary	Diluted	Div.
Rank	4	1	20	12	6/72	\$0.67	\$0.66	\$0.66
Amt.	\$314.9M	\$146.2M	13.25%	13.92%	9/72	0.69	0.69	0.69
					12/72	0.71	0.70	0.70

Type: Inter.-term mtg. FY ends Dec. 31

Portfolio dynamics: Fundings rose 41% to \$287.7M at Dec. 31. Commitments total \$331.8M, including \$158M unfunded amounts on closed loans, \$104M accepted by prospective borrowers, and \$70M standby commitments. Further gains in fundings are expected. About 42% of fundings are recreational and secondary homesite loans, 24% land loans, mostly in urban fringe areas, and 24% in long and short-term permanent loans on income properties. Yield has been stable at over 13%, including commitment fee income when received, and about one-third of loans vary with the prime rate. At Dec. 31, seven loans with \$9.9M principal (3.3% of the total) were delinquent and a \$1.3M unimproved land loan was foreclosed in Dec. Loss reserve: \$2.72M or 0.94%. Financing: DMG has largest capital base of public trusts at \$148.5M, nearly all equity of \$146.2M with 7.3M shares. Debt of \$159.4M includes \$38M in a 7-year term loan, \$61.6M bank borrowings and \$59.8M commercial paper. Leverage ratio is 1.07-1. Trust filed to offer \$50M of senior subordinated debentures Feb. 2. Adviser & expenses: Diversified Advisers, sub. of Continental Investment Corp., sponsored by the group controlling Continental Mortgage Investors, a short-term trust. Expenses were 1.94% of avg. investments. Six month outlook: Aggressive expansion of holdings and commitments should bring further earnings and dividend gains for these speculative shares. (KDC)

FIRST VIRGINIA MORTGAGE AND REIT (OTC-FVMTS)--Recent price: \$26

RANKING (Data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.	Period	RECENT SHARE RESULTS EPS Primary	Diluted	Div.
Rank	96	62	99	96	6/72	\$0.09	\$0.09	\$0.09
Amt.	\$36.2M	\$28.0M	10.05%	7.7%	9/72	0.31	0.31	0.30
					12/72	0.44	NR	0.42

Type: Intermed. term mtg. FY ends June 30

Portfolio dynamics: At Dec. portfolio was up 217% to \$44.4M, first six months following trust's May 1972 offering. By mid-January fundings of initial portfolio were completed and \$58M committed. Holdings are about 65% short-term constr. loans and 35% long-term, incl. some junior mtgs. Mix will shift into long as shorts rollover. Yield trend is good coming in at 10.6% before kickers, about 70% tied to prime. No problem loans. Loss Reserve: 0.05%. Financing: Equity, \$28.0M w. 1.21M shs. short-term debt, \$8.1M. Leverage ratio: 0.29-1. Trust negotiating intermed.-term loan. Public fin. intended in six mos., amt. and form dependent on commitments and wt. exercise. Adviser & expenses: First Adv., sub. of mtg. banker, sub. of First Va. Bankshares. Expenses were 1.45% last qtr. Six month outlook: Sharp portfolio gains are being leveraged for big profit gains. Wt. overhang 100%. Shares offer good quality and value. (BS)

LARWIN REALTY & MORTGAGE TRUST (ASE-LRM)--Recent price: \$15.50

RANKING (Data as of 11/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
Rank	64	19	119	104	5/72	\$0.31	\$0.31	\$0.30
Amt.	\$67.8M	\$67.2M	8.56%	6.7%	8/72	0.30	0.30	0.30
					11/72	0.31	0.31	0.31

Type: Intermed. term mtg. FY ends Nov. 30

Portfolio dynamics: In the two qtrs. ended Nov., the intermed. term portfolio grew 44% and temporary GNMA's were reduced a third. Portfolio was \$59M, 56% intermediates, 42% GNMA's and 2% properties. Mix of closed loans in fiscal 1972 was 46% indus. & comm., 36% office bldgs., 11% apartments and 7% shopping centers. Gross yield on commitments was 9.66%. Participating in \$49M constr. loan on Chicago office bldg. Unfunded commitments were \$27M. National position has broadened with five regional and four affiliate offices. Loss reserve: \$225T, 0.69% of mtg. port. Financing: Equity, \$67.2M w. 3.6M shs. and no debt. No public financing likely next six months. Debt will be used when necessary. Adviser & expenses: Subsid. of Larwin Group and CNA Financial which also manages a short-term trust which turns over some completed projects to LRM. Expenses were 1.67%. Six month outlook: Funding should pick up and shares have solid attraction. (BS)

MEDIAN MORTGAGE INVESTORS (OTC-MDMIS)--Recent price: \$14.38

SUMMARY & RANKING (Data as of 7/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
Rank	55	87	50	11	7/72	\$0.36	\$0.30	\$0.32
Amt.	\$86.6M	\$18.9M	11.40%	14.20%	10/72	0.37	0.25	0.33

Type: Inter.-term mtg. FY ends Oct. 31

Pending merger proposal: On Dec. 7, Median announced exploratory talks on acquisition of Median Mortgage by First Mortgage Investors. The two trusts are sponsored by the same management group headed by Jack R. Courshon, with Median specializing in intermediate-term loans and FMI in short-term loans. Independent trustees and investment bankers will conduct the talks. Median has not been large enough to obtain attractive financing and the merger would add to financing strength. Until merger terms are announced, we doubt that serious investors will find shares of interest. (KDC)

REALTY REFUND TRUST (ASE-RRF)--Recent price: \$22.25

RANKING (Data as of 10/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
Rank	42	83	30	40	4/72	\$0.45	NR	\$0.45
Amt.	\$102.9M	\$19.1M	12.40%	11.4%	7/72	0.50	NR	0.50
					10/72	0.53	\$0.45	0.53

Type: Intermed., refinancing. FY Jan. 31.

Portfolio dynamics: Holdings increased 25% over the last two quarters. About 52% of the loans are divided between Ill. and Pa. with the rest in O., Md., Tex. and Va. 48% is in 12 apt. projects, 28% in 2 off. bldgs., 14% in 6 motels and 12% in a shopping center. Fundings should increase by about the \$15M in next six months if pending offering is completed. No problem loans. Loss Reserve: None. Financing: Equity, \$19.1M w. 1,030T shs. short-term debt is \$6.85M; leverage ratio: 0.36-1. Public offering of \$15M convertibles w. warrants expected late Feb. Adviser & expenses: ReaFund Adv., independent real estate investors. Expenses avg. 2.38% last 2 qtrs. Six month outlook: Healthy portfolio gain due from pending financing. Warrant overhang of nearly 100% will be funded if exercised. Shares remain an attractive conservative purchase. (BS)

SECURITY MORTGAGE INVESTORS (ASE-SMO)--Recent price: \$12.63

SUMMARY & RANKING (Data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS	Cash Fl/Sh.	Div.
Rank	20	24	61	94	9/72	\$0.28	\$0.32	\$0.34
Amt.	\$171.6M	\$61.6M	11.01%	7.96%	12/72	0.28	0.32	0.34a

Type: Inter.-term mtg. FY ends Sept. 30. a-Preliminary; may be reduced.

Portfolio dynamics: Holdings have increased about 10% in the last six months, first under Security's revised format since merging with Medical Mortgage Investors. Fundings at fiscal year-end Sept. 30 were 58% first and second house mortgages, 29% income property

loans and 11% land sales contracts. House mortgages are derived from a portfolio bought from General Electric Credit Co. Home improvement and consumer loans are originated by North American Acceptance Corp., with offices in 17 states. Current yields are in the 10.2-10.6% range. Financing: Following the merger, capital was \$97.8M, incl. \$61.6M equity net of discount on warrants and \$36.2M of debentures which can be used to exercise warrants at \$16. Debt of \$67.1M is about half bank borrowings, half 7½% debentures. Leverage ratio is 0.69-1. Adviser & expenses: Semorco, Inc. Expenses were 1.03% of avg. investments. Six month outlook: Shares have been weak recently reflecting concern over impact of rising interest rates on trust. Shares speculative until production track record emerges. (KDC)

EQUITY AND MORTGAGE COMBINATION GROUP: A SWEETER WAY TO BUY EQUITIES

The combination trusts use various combinations of construction and development loans to buy equities, primarily in new properties. They have adopted this strategy because the market for equities is increasingly competitive, both REITs and limited partnerships seeking tax shelter. All this has driven the price of equities up so that in many deals initial equity returns are below the mortgage financing rate. Still, trusts in this group have been able to produce some excellent returns, and a few have begun doing some development work for their own account. *First Union*, among oldest REITs, is using this approach to expand aggressively a portfolio of the highest quality. *U.S. Realty* is using joint ventures with proven developers to expand its holdings. Both are excellent longer-term commitments. *Indiana Mtg.* and *U.S. Bancorp Trust* are newcomers of promise.

FIRST UNION REAL ESTATE INVESTMENTS (NYSE-FUR)--Recent price: \$12.50

SUMMARY AND RANKINGS (Data as of 10/72)					RECENT SHARE RESULTS			
Rank	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Cash/FI.	Div.
27	52	110	58		4/72	\$0.18	\$0.28	\$0.23
Amt.	\$135.0M	\$31.7M	9.62%	10.22%	7/72	0.21	0.26	0.23
	Type: Equity & mtg. comb. FY ends Oct. 31				10/72	0.20	0.28	0.23

Portfolio dynamics: Gross holdings incl. depreciation reserve rose 21% the past six months, result of an aggressive acquisition program. Trust uses short-term loans, often secured by other operating properties, as lever to acquire equities in proven cash-flow properties. Holdings of \$145.6M (incl. \$15.6M accum. deprec.) are 92% property, 8% mortgage loans. Properties are 9 office bldgs. with 2.78M sf net space, four shopping centers with 1.35M sf and two motor inns with 429 rooms. Loss reserve: None. Financing: Capital of \$50.9M is \$31.7M equity and \$19.3M debentures convertible at \$13. Debt of \$81.7M is \$66.7M in mtg. debt on property and \$15.1M bank loans and commercial paper. Leverage ratio is 1.60-1. Adviser & expenses: Trust is self-administered. All operating expenses (excluding interest and depreciation) were 13.5% of rent revenues the last quar. Six month outlook: Cash flow has risen 21% and dividends 13% over the past five years, and holdings are being expanded more rapidly than market valuation indicates. Shares are an excellent holding for income (7.4%) and longer-term appreciation. (KDC)

FLATLEY REALTY INVESTORS (OTC-FLTLS)--Recent price: \$7.63

RANKING (Data as of 12/72)

RANKING (Data as of 12/72)					RECENT SHARE RESULTS			
Rank	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
126	117	63	90		6/72	---	---	---
Amt.	\$13.4M	\$9.17M	10.95%	8.3%	9/72	\$0.17		\$0.16
	Type: Equity & mtg. comb. FY June 30				12/72	0.19		0.17

Portfolio dynamics: Little change took place in the Dec. qtr., held down by rollover, after the initial buildup was completed in the Sept. qtr. The \$13.1M broke down 69% constr. loans, 22% property and 9% land leasebacks. Unfunded commitments are \$15M. More properties are being added. Yield should increase as lower rated participations roll over. Most holdings are in New England and Florida. Loss reserve: None. Financing: Equity, \$9.2M w. 1M shs. Debt of \$4.04M is \$1.64M mtg. and \$2.4M notes. Leverage ratio: 0.44-1. Bank lines of \$16M will be used, additional ST credit will be sought. Adviser & expenses: Flatley Adv. real estate developers. Expenses were 1.13% of Sept. quar. Six month outlook: Portfolio is expected to increase to over \$30M if sufficient borrowings are obtained. Shares, below book, have speculative potential on this possibility. Principals have good regional real estate background. (BS)

FRANKLIN REALTY & MORTGAGE TRUST (ASE-FR)--Recent price: \$8.63

SUMMARY & RANKING (Data as of 12/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Cash Flow	Div.
Rank	88	114	10	108	6/72	\$0.06	---	\$0.19
Amt.	\$43.5M	\$9.7M	14.85%	6.5%	9/72	0.16	---	0.19
Type:	Equity & mtg. combination. FY June 30				12/72	0.18	---	0.19

Portfolio dynamics: Holdings increased 7% over the last 2 qtrs. Current portfolio of \$44.5M is 85% real estate and 15% mtg. Holdings consist of 12 office buildings, 5 apartments and 2 motels. Trust has entered mortgage lending and real estate development. The first project, a 13-story office building in Coral Gables, Fla., is now underway. Mgmt. estimates that mtg. will amount to \$13.5M and some \$1.5M will be added to equity by June 30, an 18% overall gain in funding. No problem loans. Some 75% of mtg. are tied to prime. Loss reserve: None. Financing: Capital is \$14.8M incl. \$9.7M in equity w. 997T shares and \$5.1M 7% convt. debentures. Debt is \$27.5M. Leverage ratio is 1.86-1. An equity offering is contemplated but not before late 1973. Adviser & expenses: Trust is operated by its six trustees. Property expenses (excl. depreciation) were 45.1% of rental income in the Dec. quarter. Six month outlook: High portfolio yield, steady growth in funding, no warrant overhang plus new areas of operation indicate continued earnings and dividend gains. Shares are a long-term buy candidate.

(VCK)

LINCOLN MORTGAGE INVESTORS (OTC-LNMGs)--Recent price: \$9.75

SUMMARY & RANKING (Data as of 12/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Cash Flow	Div.
Rank	77	115	35	31	6/72	\$0.20	\$0.27	\$0.25
Amt.	\$52.1M	\$9.2M	12.09%	12.1%	9/72	0.18	0.28	0.25
Type:	Equity & mtg. combination. FY Mar. 31				12/72	0.18	0.28	0.25

Portfolio dynamics: Holdings increased 14% over the last 2 quar. Current portfolio of \$46.3 is 70% short term first mtg. and 30% real estate with significant holdings in Texas and Louisiana. Mgmt. expects fundings to grow by \$3.5M per month the next six months with majority of new money going into mtg., or a 46% gain. There are 1 or 2 problem loans in portfolio. All loans are tied to prime. Loss reserve: \$92T or 0.27%. Financing: Capital of \$19.7M is \$9.2 equity (1.15M sh.) and \$10.5M 8% convt. debent. Debt is \$30.4M. Leverage ratio is 1.54-1. No public financing in next 6 months. Adviser & expenses: First Lincoln Management Corp., sub. of First Lincoln Financial, diversified Calif. holding company. Expenses averaged 1.17% of invest. the last 2 quar. Six month outlook: High portfolio yield, substantial growth in fundings and no warrant overhang all point to good earnings and dividend gains. Shares are a longer term buy.

(VCK)

INDIANA MORTGAGE & REALTY INVESTORS (OTC-INDMS) Recent price: \$23.13

SUMMARY & RANKING (Data as of 12/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
Rank	93	77	114	98	9/72	\$0.33	\$0.30	\$0.30
Amt.	\$39.4M	\$21.6M	9.38%	7.5%	12/72	0.37	0.35	0.35

Type: Equity & mtg. comb. FY ends June 30

Portfolio dynamics: Holdings increased 7% over the last 3 mon. following June 1972 initial offering. Current portfolio of \$37.5M is 61% constr., 15% long-term mtg.; 12% land loans; 11% equity. Mgmt. expects fundings to gain by \$10M, up 27% the next 6 months. About 70% of mtg. are tied to prime. Loss reserve: \$35T or 0.10%. Financing: Capital is \$21.6M. Leverage ratio is 0.81-1. No public financing in next 6 months. Trust recently arranged a \$10M, 5 yr. term loan tied to prime with Chase Manhattan. Adviser & expenses: Indiana Mortgage Corp., of Indiana National Corp., one bank holding company for Indiana's largest bank. Expenses were 1.33% of investments in the latest qtr. Six month outlook: Good growth in fundings as well as strength and originating capability of sponsor should contribute to continued gains in earnings and dividends. Overhang of 50% from warrants a long-term negative. Shares are a longer-term buy.

(VCK)

REALTY INCOME TRUST (ASE-RIT)--Recent price: \$14.50

SUMMARY & RANKING (Data as of 10/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Diluted	Div.
Rank	70	88	118	83	4/72	\$0.17(+.33 cap.gain)		\$0.30
Amt.	\$61.2M	\$18.8M	9.08%	8.61%	7/72	0.22	0.22	0.30
Type:	Equity & mtg. comb. FY ends Apr. 30				10/72	0.25	0.25	0.30

Portfolio dynamics: Fundings rose 15% in the 6 mon. through Oct. and should rise about the same rate the next 6 mon. Holdings of \$57.0M incl. accumulated deprec. are 48% mortgages, 34% land and 18% buildings. Recent gains have been in mortgage loans. A moratorium granted Amfac, Inc. on its option purchase of half-interest in 1,500 acres in San Diego at \$7,500/ac. has been ended with cessation of a San Diego moratorium on sewers and lease payments are being resumed. RIT expects to report capital gain of about \$0.15/sh. on the transaction in fiscal 1973. Problem holdings in a San Antonio in-town motel and Galveston, Tex. land have been resolved. Loss reserve: None. Financing: Capital of \$38.9M is \$18.9M equity and \$20.0M of 8% convertible debentures. Debt of \$21.1M is \$11.3M bank borrowings, the rest mtgs. on property. Leverage ratio is 0.54-1. Adviser & expenses: Westminster Properties, Inc., sub. of Industrial National, Rhode Island's largest bank holding company. Expenses were 1.07% of avg. investments. Six month outlook: Most problems seem behind and shares are a speculative holding for continued progress. (KDC)

U.S. BANCORP REALTY AND MTG. TRUST (ASE-UBT)--Recent price: \$30.88

SUMMARY & RANKING (Data as of 11/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	EPS Primary	Cash Flow	Div.
Rank	92	102	59	71	8/72	\$0.20	\$0.41	\$0.40
Amt.	\$41.2M	\$13.5M	11.04%	9.3%	11/72	0.35	0.55	0.45

Type: Equity & mtg. comb. FY ends May 31

Portfolio dynamics: Holdings increased 62% over the last 2 qtrs. Current portfolio of \$40.0M is 64% constr. and devel. mtg. and 36% real estate. Most properties are located in the Portland, Ore. area with mtg. found in Oregon, Calif., Wash., Hawaii and Idaho. Mgmt. expects portfolio to grow by \$15-\$20M in next 6 months, a 38%-50% gain, with bulk of fundings going into mtg. Trust has no problem loans. About 23.4% of mtg. are tied to prime. Loss reserve: \$52T or 0.20%. Financing: Capital is \$23.6M consisting of \$13.5M in equity w. 609T sh. and \$10.1M 7% convt. subor. debent. Debt amounts to \$1.64M. Leverage ratio is 0.70-1. A public financing is not contemplated until late in the year. Adviser & expenses: Bancorp Management Advisers, Inc., 80% owned by 2 subsidiaries of U.S. Bancorp and 20% owned by Simco, a mtg. banker. Expenses averaged 1.87% of investments over the last 2 qtrs. Six month outlook: Significant increase in fundings, good yield on portfolio and minor warrant (7%) indicate continued gains in earnings and dividends. Financial strength of sponsor another plus factor. Shares are a long-term buy based on moderate yield and capital appreciation potential. (VCK)

U. S. REALTY INVESTMENT (ASE-UTY)--Recent price: \$15.88

RANKING (Data as of 9/72)

RECENT SHARE RESULTS

	Assets	Equity	Port.Yield	Capital Ret.	Period	Cash Flow	Earnings	Div.
Rank	29	66	104	18	3/72	\$0.45	\$0.30	\$0.34
Amt.	\$132.4M	\$26.7M	9.90%	13.4%	6/72	0.35	0.24	0.34
Type:	Equity & mtg. comb. FY ends Dec. 31				9/72	0.35	0.23	0.34

Portfolio dynamics: Gross portfolio of \$143.7M is 37% constr. loans and 63% property. The loan sector rose 58% in the past two quarters while equity fell 2%. Loans picked up sharply after being flat. Some older properties were sold while major new projects are just coming on stream. Loss reserve: None. Financing: Capital is \$39.3M (\$26.7M equity & \$12.6M convt.). Debt is \$91.7M (\$44.4M mtgs. & \$47.3M notes). Overall leverage ratio is 2.3-1. Bank credit lines are \$80M which could be negotiated for \$20M more. Bank term loans are being considered. Public financing unlikely unless mkt. conditions dictate. Advisory expenses: 0.72% of gross invest. last 2 qtrs. Six month outlook: Mtgs. should grow another \$20M in 1973 with stable yields, all new loans tied to prime. Equity contribution to increase as joint venture apts. with FCE in Colo. and first phase of Wheatfield center, also FCE, came on stream late 1972. Planning \$250M development in downtown Cleve. Shares are sound holding with growing dynamism. (BS)